
PAYMENT OVERVIEW

The Michigan Department of Health and Human Services (MDHHS) utilizes the services of individual families, placement agency foster care (PAFC) providers, private child caring institutions, court-operated facilities, MDHHS-operated facilities, mental health facilities and other facilities such as hospitals and adult foster care homes, as appropriate, to meet the needs of an individual child. A combination of the child's legal status, family financial circumstances and placement needs strictly determines which fund source is used to pay for placement and other related services.

INTRODUCTION TO PAID SERVICE AUTHORIZATIONS

Types of paid service authorizations are listed below along with manual references explaining how the payments are initiated.

Placement Service Authorizations

Placement service authorizations include a maintenance and/or an administrative rate. Service authorizations are created, amended and end dated within MiSACWIS. Further policy clarification is provided for many placement service authorizations.

- For family foster care service authorization details for all foster families and paid relative providers see [FOM 903-03, Payment for Family Foster Care](#).
- For purchased care payment procedures for placement agency foster care (PAFC) and child caring institutions (CCIs) see [FOM 903-04, Purchased Care Payment Procedures](#).
- For foster care rates see [FOM 905-3, Foster Care Rates](#).
- For rates regarding PAFC and CCIs by specific providers see [FOM 905-5, Rates for Child Care Institutions and PAFC Providers \(A-Z\)](#).
- For payment procedures and detention rules see [FOM 903-02, Payment for Detention Care](#).
- For independent living service authorization details for youth in the Young Adult Voluntary Foster Care (YAVFC) program see

FOM 902-21, Young Adult Voluntary Foster Care (YAVFC) Funding and Payments.

- For independent living service authorization details for youth not in the YAVFC program see [FOM 903-8, Payment Requiring Special Processing](#). For descriptions of independent living requirements for state wards see [FOM 722-07F, Permanency Planning - PPFWR and APPLA](#). For additional independent living funding resources, see [FOM 950, The Youth in Transition \(YIT\) Program](#).

Case Service Authorizations

For detailed requirements for case services see [FOM 903-09, Case Service Payments](#). Some medical reimbursements can be requested on a DHS-93, Examination Authorization for Services. For policy requirements see [SRF 800, DHS-93 Medical Service Authorization](#).

Taxability of Foster Care Payments

Taxable income is defined in MCL 206.30(I) as adjusted gross income as determined in the Internal Revenue Code (IRC) subject to certain adjustments.

Foster care payments, including determination of care (DOC) payments, are not taxable to the extent these payments are excludable from adjusted gross income under Section 131 of the IRC.

Foster care payments that are not excludable from taxation under Section 131 will be included in adjusted gross income as compensation for personal services. These payments are taxable to a resident of this state and to a nonresident if the personal services are performed in this state.

Foster parents may receive an IRS 1099 form. This is not meant to be a determination of tax liability.

Recipients of foster care payments must consult a tax advisor for further clarification.

PAYMENT SYSTEMS PROCEDURES

Scheduled maintenance payments can be issued on a weekly basis, for a two-week pay period (or a portion thereof). The maintenance payment(s) are issued through a positive billing process. To receive payments, the provider must verify through the Interactive Voice Response (IVR) system that the child was in their care. Details regarding this process are found in the Foster Care Provider Payment Handbook at

https://www.michigan.gov/documents/mdhhs/Provider_Payment_Handbook_648470_7.pdf.

- In all cases the service authorization must be completed in a timely manner in MiSACWIS; see [Reference Schedules Manual \(RFS\) 205, Children's Foster Care Payment Schedule](#).
- Warrants are issued weekly. Each warrant will cover maintenance and administrative payments for any verified previous bi-weekly period(s) and case service payments.
- Details regarding child specific service authorizations, payment requests, rosters and warrants can be found in MiSACWIS.

Returned, Lost, Stolen, Forged or Undelivered Warrants

Warrants issued from MiSACWIS that are returned, lost, stolen, forged or undelivered can be stopped or rewritten. Review the MiSACWIS Warrant Rewrite and Reissue job aid for further instructions.

INCORRECT PAYMENTS

Prompt corrective action must be taken when payment errors are identified.

Reconciliation of Payments

If the wrong fund source was used for a payment, reconciliation must be completed in MiSACWIS.

Recoupment of Overpayments

Foster Care Providers

Recoupment action is necessary when a provider is overpaid for services and the funds must be returned to MDHHS. When an error is identified, the child's payment history must be closely researched to ensure that all payments made in error are processed for recoupment. Payment recoupment includes both the placement service and case service payments.

Examples of circumstances that require recoupment include:

- Child moves from a paid, licensed provider to an unlicensed relative and an overpayment is made to the licensed provider.
- Payment to one provider continues beyond the date of the child's placement and another provider is entitled to payment for the child's care.
- Determination of care (DOC) supplement is paid for a period of time beyond the authorization.
- A clothing allowance was made to the child's prior placement after the child moved to a new placement.
- A child does not complete driver's education but a payment was issued.

To correct these types of payment errors, the local MDHHS staff must ensure that the recoupment is completed in MiSACWIS. If a different provider needs to be paid for the same dates or services, the local MDHHS office must execute a new service authorization and request a manual payment from the Federal Compliance Division (FCD) at MDHHS-federalcompliance@michigan.gov.

Independent Living

MDHHS does not request recoupment for overpayments made to a youth in independent living. The worker must ensure accuracy for all independent living placements and service authorizations in MiSACWIS to ensure overpayments are not made.

**Time Limit on
Foster Care
Payments**

Requests for payment exceeding 12 months from the date of service will **not** be honored. To request a rare exception to policy for payment of dates exceeding 12 months from the date of service, a policy exception request must be submitted to the Federal Compliance Division (FCD) at MDHHS-federalcompliancedivision@michigan.gov. The exception request must include the approval of MDHHS local office director and Business Services Center (BSC) director.

**Problem Payment
Inquiries**

Workers with questions concerning payments can contact the Federal Compliance Division (FCD) at MDHHS-federalcompliancedivision@michigan.gov.